UNITED NATIONS

Framework Convention on Climate Change

Distr.
GENERAL

FCCC/CP/1998/9
16 October 1998

ENGLISH ONLY

CONFERENCE OF THE PARTIES
Fourth session
Buenos Aires, 2-13 November 1998
Item 7 of the provisional agenda

ADMINISTRATIVE AND FINANCIAL MATTERS

Audited financial statements for the biennium 1996-1997: report of the United Nations Board of Auditors

Note by the Executive Secretary

1. The financial procedures of the Convention stipulate that "the accounts and financial management of all funds governed by these financial procedures shall be subject to the internal and external audit process of the United Nations" (FCCC/CP/1995/7/Add.1, annex I, para. 18). The United Nations Board of Auditors, which is responsible for the functions of external audit, is composed of the heads of national audit authorities of three member States, currently Ghana, India and the United Kingdom of Great Britain and Northern Ireland.

2. By its decision 16/CP.3, the Conference of the Parties (COP) requested the Executive Secretary to submit to the fourth session of the COP (COP 4), through the Subsidiary Body for Implementation (SBI), a final report on the financial performance in the biennium 1996-1997, including audited financial statements. The SBI, at its eighth session, requested the Executive Secretary to submit to COP 4 audited financial statements and the reports from internal and external auditors (FCCC/SBI/1998/6, para. 74).

3. The Board of Auditors audited the financial statements for the biennium 1996-1997 and undertook a management audit of UNFCCC conference support arrangements. The full text of the report of the United Nations Board of Auditors, including the financial statements as at 31 December 1997 which was received by the secretariat on 25 September 1998, is attached as an annex to this cover note and reproduced as received without formal editing. The summary of

the report by the Board of Auditors, along with the reply by the secretariat to the audit observations and its report on the status of implementation of the recommendations, is contained in document FCCC/CP/1998/10.

4. The COP may wish to take note of the information contained in the audited financial statements and the report of the external auditors, as well as the comments by the secretariat, and provide guidance to the Executive Secretary as necessary.

Annex

UNITED NATIONS NATIONS UNIES

BOARD OF AUDITORS

NEW YORK

FAX (212) 963-3684

22 September 1998

Sir,

I have the honour to transmit to you the financial statements of the United Nations Framework Convention on Climate Change (UNFCCC) for the biennium 1996-1997 ended 31 December 1997, which were submitted by the Executive Secretary. These statements have been examined and include the audit opinion of the Board of Auditors.

In addition, I have the honour to present the report of the Board of Auditors with respect to the above accounts.

Accept, Sir, the assurances of my highest consideration.

V. K. Shunglu

Vijay Krishna SHUNGLU
Comptroller and Auditor General
of India
and Chairman
United Nations Board of Auditors

The President of the Conference
of the Parties
United Nations Framework Convention
on Climate Change
Bonn, Germany

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE (UNFCCC)

Audited financial statements
for the biennium 1996-1997 ended 31 December 1997

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Letter of transmittal dated 11 August 1998 from the Executive Secretary to the Chairman of the United Nations Board of Auditors

Pursuant to financial regulation 11.4, I have the honour to submit the annual accounts of the United Nations Framework Convention for Climate Change as at 31 December 1997, which I hereby approve.

.....

(signed)
Michael Zammit Cutajar

I. NARRATIVE FINANCIAL REPORT FOR THE BIENNIUM ENDED 31 DECEMBER 1997

Introduction

1. The Executive Secretary has the honour to submit herewith the financial report, together with the accounts for the biennium ended 31 December 1997, of the United Nations Framework Convention on Climate Change (UNFCCC). The report is presented in accordance with paragraph 16 of the Financial and common services arrangements for administrative support to the UNFCCC Secretariat.

STATEMENT 1

Statement of income and expenditure and changes in reserves and fund balances

I. Trust fund for the Core Administrative Budget of the UNFCCC

2. The amount of $13,767,634 shown in Statement I represents assessed contributions from Governments, from this amount $1,311,726 has not yet been paid by the end of 1997 and the amount of $1,961,231 represents voluntary contributions paid by various governments and donors to the Core Administrative Budget for the biennium 1996-1997 (Schedules 1.1 and 1.2). In addition, $223,307 was recevied as interest income, and $12,500 as other income, bringing the total income to $15,964,672. Expenditures for the biennium, including loss-on-exchange of $20,317, amounted to $12,881,319 which resulted in an excess of income over expenditure of $3,083,353. The prior period adjustment of $1,452 increased the excess to $3,084,805. Together with the transfer of $971,880 from GM fund from NYHQ to UNOG the reserve and fund balance of the Core Administrative Budget amounted to $4,056,685 at the end of biennium.

II. Trust Fund for Facilitating Participation of States Parties in the UNFCCC Process

3. A total amount of $2,517,966 was received during biennium as voluntary contributions from various governments (Schedule 1.1). In addition $117,287 was received from European Economic Community (EEC) (Schedule 1.3) and $34,601 as interest income. Thus, the total income of the fund was $2,669,854.

4. The total expenditure, which included $164,066 as loss on exchange, was $3,909,523, resulting in a shortfall of income over expenditure of $1,239,669.

5. Nevertheless, taking into account the transfers of $2,191,819 from the fund MK from NYHQ and $84,967 from the Fund for Voluntary Supplementary Financing of the Approved Activities under UNFCCC the total reserves and fund balance of the fund amounted to $1,037,117 at the end of biennium 1996-1997.

III. Trust Fund for Voluntary Supplementary Financing of the Approved Activities under UNFCCC

6. The voluntary contributions to the fund amounted to $5,510,890 for the biennium 1996-1997 (Schedule 1.1). Total income in this fund was $5,597,132 after inclusion of interest income of $86,242.

7. Total expenditure, including loss on exchange of $211,446 was $3,985,732 which resulted in an excess of income over expenditure of $1,611,400.

8. Together with the transfer from UNCTAD (fund ZH) of $568,351 and transfer to the Trust Fund for Facilitating Participation of States Parties on the UNFCCC Process of $84,967 the reserve and fund balance reached $2,094,784 at the end of 1997.

STATEMENT II

Statement of assets, liabilities, reserves and fund balances

I. Trust fund for the Core Administrative Budget of UNFCCC

9. The assets of the Trust Fund amounted to $5,567,938 and included cash of $3,080,268, assessed contributions receivable of $1,311,726, interfund balances receivable of $201,590 and other accounts receivable of $974,354.

10. The other accounts receivable included $281,165 representing salary advances to new staff members which were cleared to expenditure in 1998 when the advances were recorded upon payment of actual salaries.

11. The liabilities consisted of other accounts payable of $259,306, unliquidated obligations of $1,206,726 and assessed contributions received in advance for 1998 (Schedule 1.2) of $45,221.

12. The Working Capital Reserve reached $528,248 by the end of 1997 and cumulative surplus of the fund was $3,528,437.

II. Trust Fund for Facilitating Participation of States Parties in the UNFCCC Process

13. Total assets of $2,446,893 included cash of $1,332,550, inter-fund balances receivable of $1,113,543 and other accounts receivable of $800.

14. The liabilities consisted of other accounts payable of $279,576 and unliquidated obligations of $1,130,200.

15. The Cash Operating Reserve of the fund amounted to $94,244 and the cumulative surplus to $942,873 at the end of biennium 1996-1997.

III. Trust Fund for Voluntary Supplementary Financing of the Approved Activities under UNFCCC

16. The assets of the fund amounted to $2,274,376 and included cash of $2,111,671 and other accounts receivable of $162,705.

17. The liabilities consisted of inter-fund balances payable of $38,507, other accounts payable of $18,667 and unliquidated obligations of $122,418.

18. The Cash Operating Reserve reached $297,105 and the cumulative surplus was $1,797,679.

REPORT OF THE UNITED NATIONS BOARD OF AUDITORS

ON THE FINANCIAL STATEMENTS OF THE

FRAMEWORK CONVENTION ON CLIMATE CHANGE

FOR THE PERIOD ENDED 31 DECEMBER 1997

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II. REPORT OF THE BOARD OF AUDITORS

Summary

The Board of Auditors has audited the operations for the United Nations Framework Convention on Climate Change (UNFCCC). The Board also validated the financial statements of UNFCCC for the biennium ended 31 December 1997, and also conducted a management review of UNFCCC's conference support arrangements.

The Board's main findings are:

(a) there were uncertainties regarding the precise division of responsibility for accounting and the financial statements as between UNFCCC and the United Nations Office at Geneva (UNOG);

(b) to improve planning of major conferences, UNFCCC has established a planning forum to co-ordinate different strands of activity and recruited a conference manager to co-ordinate logistics and monitor progress;

(c) UNFCCC did not routinely use a checklist of procedures, or have a Manual, for setting up and organizing a major conference; nor did it draw up action plans for organizing the major conferences;

(d) UNFCCC did not identify the costs of organizing each major conference, including those costs borne by the United Nations Office at Geneva;

(e) the secretariat had established a sound system for evaluating major conferences. However, there was scope for broadening the coverage of questionnaires, for example to include more substantive issues, and for encouraging a better response rate.

Key recommendations made by the Board are:

(a) UNFCCC should, jointly with the United Nations Department of Management and UNOG, undertake the planned review of UNFCCC's administrative arrangements as a matter of priority, in order to strengthen and clarify accountability;

(b) the procedures and operational requirements for servicing major conferences should be incorporated into a Conference Support Manual, to include a checklist of key procedures;

(c) the secretariat should establish the cost of each major conference it organizes.

A list of the main recommendations is presented in paragraph 8 of the Board's report.

A. Introduction

1. The Board of Auditors has audited the financial statements of the United Nations Framework Convention on Climate Change (UNFCCC) for the period 1 January 1996 to 31 December 1997, in accordance with Decision 15/CP1 of the Conference of the Parties. The audit was conducted in accordance with article XII of the Financial Regulations and Rules of the United Nations and the annex thereto, and with the common auditing standards adopted by the Panel of External Auditors of the United Nations, the specialised agencies and the International Atomic Energy Agency. These standards require that the Board plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the expenditures recorded in the financial statements for the period from 1 January 1996 to 31 December 1997 had been incurred for the purposes approved by the governing bodies; whether income and expenditures were properly classified and recorded in accordance with the Financial Regulations and Rules; and whether the financial statements of UNFCCC presented fairly the financial position as at 31 December 1997. The audit included a general review of financial systems and internal controls and a test examination of accounting records and other supporting evidence, to the extent the Board considered necessary to form an opinion on the financial statements.

3. In addition to its audit of the accounts and financial transactions, the Board carried out reviews under regulation 12.5 of the Financial Regulations and Rules of the United Nations. The reviews primarily concern the efficiency of financial procedures, the internal financial controls and, in general, the administration of UNFCCC. In 1997, the Board examined UNFCCC's conference support arrangements.

4. The Board reported the results of specific audits in management letters containing detailed observations and recommendations to the Administration.

5. UNFCCC was established on 1 January 1996 as a permanent secretariat with its own budget approved by the Conference of the Parties. Its 1996-1997 financial statements are the first to be presented for audit by the United Nations Board of Auditors.

6. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the Conference of the Parties. The Board's observations and conclusions were discussed with the secretariat whose views, where appropriate, have been reflected in the present report.

7. The Board's main recommendations are presented in paragraph 8 below. The detailed findings are in paragraphs 9 to 41.

1. Main recommendations

8. The Board recommends that:

(a) UNFCCC should, jointly with the United Nations Department of Management and the United Nations Office at Geneva (UNOG), undertake the planned review of UNFCCC's administrative arrangements as a matter of priority in order to strengthen and clarify accountability (para. 12);

(b) the procedures and operational requirements for servicing major conferences should be incorporated into a Conference Support Manual, which should include a checklist of key procedures (para. 26);

(c) the secretariat should establish the cost of each major conference it organizes (para. 30);

(d) the secretariat should explore ways of increasing the response rate to post-conference evaluation questionnaires, and also of broadening their scope (para. 39).

B. Financial issues

1. United Nations Accounting Standards

9. The Board assessed the extent to which UNFCCC's financial statements for the biennium ended 31 December 1997 conform to the United Nations Accounting Standards. The review indicated that the presentation of the financial statements is generally consistent with the standards, except that the inventory value of non-expendable equipment, furniture and motor vehicles was not disclosed as required under paragraph 49 of the standards; and the extent of its liabilities for end-of-service benefits, post-retirement benefits and annual leave was not disclosed or provided for as required under paragraph 57 of the standards.

2. Responsibility for accounting and financial statements

10. The United Nations Office at Geneva (UNOG) provides book-keeping and accounting services for UNFCCC, including postings to the general ledger, administration of income, the calculation and payment of salaries and the generation of financial statements. This arrangement arose through UNFCCC's original location in Geneva and was to be reviewed in the light of the subsequent move to Bonn. The arrangements require UNOG to provide UNFCCC's Executive Secretary with information on the status of allotments, trial balance and unliquidated obligation, and for the final accounts to be submitted to the Executive Secretary for certification and submission to the Board of Auditors, for subsequent reporting to the UNFCCC Conference of Parties.

11. While UNFCCC's Executive Secretary accepts his formal responsibility for certifying the financial statements, in practice UNFCCC considers that its role regarding the statements is limited to budget planning and monitoring, and that it is unable to take full responsibility for the correct calculation and presentation of items in the financial statements. Uncertainties included the extent to which UNFCCC should check and verify general ledger, trial balance, allotment and other reports received from UNOG; and whether original supporting documentation should be retained by UNFCCC or by UNOG. The Board notes that these arrangements are to be reviewed by the United Nations Department of Management, UNOG and UNFCCC to permit effective operation and administration of the UNFCCC secretariat in Bonn.

12. The Board recommends that UNFCCC, jointly with the United Nations Department of Management and UNOG, undertake the planned review of UNFCCC's administrative arrangements as a matter of priority, in order to strengthen and clarify accountability.

3. Write-off of losses of cash, receivables and property

13. No cases were reported to the Board.

4. Ex-gratia payments

14. No ex-gratia payments were reported in 1996-1997.

C. Management issues

1. Costing and appraisal of conference facilities

Introduction

15. UNFCCC's ultimate objective is to stabilize greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous human-made interference with the climate system. The Convention includes commitments by Member States, or parties, about publishing inventories of greenhouse gases, implementing plans to contain emissions, and co-operating with other countries in developing and applying new methods of reducing emissions.

16. The supreme body of the Convention is the Conference of the Parties (COP), which is supported by a secretariat responsible for co-ordinating the entire convention process. This includes organizing the meetings of the COP and its Subsidiary Bodies and providing supporting documentation and draft reports, usually in the six languages of the United Nations. The United Nations Office at Geneva (UNOG) provides certain administrative functions, and also undertakes translation, interpretation and document production on a common service basis. The secretariat moved its headquarters from Geneva to Bonn in August 1996. Until then meetings had normally been held at the Palais des Nations in Geneva, in facilities offered by UNOG.

17. UNFCCC's core administrative budget of $17,205,600 for the 1996-1997 biennium did not include conference-servicing costs of about $5.5 million, which are borne by the United Nations regular budget. The secretariat also receives voluntary funding by some member countries, both to support delegate participation at COP and Subsidiary Body meetings and for other general and specific purposes. These include an annual contribution from the German Government - known as the Bonn Fund - to off-set the extra costs of holding UNFCCC meetings in Bonn.

18. Against this background the Board decided that its first management audit of the UNFCCC should focus on the secretariat's planning, organization and subsequent evaluation of COP and Subsidiary Body meetings. The examination focused on three aspects of the secretariat's conference support arrangements:

- the planning and organization of COP 3 at Kyoto and the three meetings of the Subsidiary Bodies in 1997;
- the scheduling and processing of documents required before and during meetings;
- the effectiveness of the secretariat's review and follow-up procedures.

19. Any assessment of the secretariat's performance must recognize the pressures under which it was working in 1997. The move from Geneva to Bonn was a major upheaval - the secretariat suddenly lost almost half its staff at a time when it was faced with many new responsibilities, including the need to find and equip suitable conference facilities. Problems of cash flow (or late payment of contributions) led to key administrative posts not being filled for many months. Moreover, the secretariat had to organize two additional major conferences and respond to rapidly growing demands for support and information.

Planning and organization

20. COP normally meets once a year , the groundwork for much of its business having been undertaken at meetings of its Subsidiary Bodies. Following UNFCCC Rules of Procedure as applied, all these meetings take place at the seat of the secretariat unless a member country has offered to host the proceedings. The first, second and third meetings of the COP were held in Berlin, Geneva and Kyoto, respectively, and the fourth is to be held in Buenos Aires in November 1998. Meetings of Subsidiary Bodies were held first at Geneva and now at Bonn.

21. For sessions held in Bonn, the secretariat books suitable accommodation, meeting the rental costs and any additional expenditure necessary to ensure that the conference facility is similar to those at United Nations conference centres. Special furniture, signs and banners may be needed at times, as well as sound and interpretation equipment and computer and data communications networks. Extra staff also has to be engaged for the duration of the conference.

22. Where a session is held in a member country, the host Government meets all the direct costs, including the provision of conference halls, offices and meeting rooms and specified equipment and communications and computer systems. The host also provides local staff, bears the cost of transporting any secretariat records, supplies and equipment required for the conference and pays the travel costs of the UNFCCC secretariat staff and other United Nations officials. These financial and other arrangements are set out in a host country agreement.

23. As noted above, the secretariat was under intense pressure throughout 1997. Planning was also hampered by tight deadlines for organizing the conferences and the number of meetings to be held. Being a relatively new body, the secretariat had few established procedures and little relevant experience to draw upon for guidance.

24. The secretariat is aware of these difficulties and has begun to set up a planning framework that should allow decisions and actions to be considered in a more measured way. A planning forum has been established to co-ordinate different strands of activity, especially where issues and events involve more than one programme. The preparation for meetings of the Convention bodies will be a steady focus of the agenda, with the planning forum assisted by the Conference Support Task Force, which functioned informally in 1997, but from March 1998 was to meet regularly to develop both the logistical and substantive elements of forthcoming conferences and to come up with ideas for improving their organization and management.

25. The Board welcomes these measures, which should enable the secretariat to take a more considered view of the different aspects of conference organization. Following the appointment in August 1997 of a conference manager to co-ordinate logistics, monitor progress, and take prompt and appropriate action when problems arise, the Board expects the process of conference organization to be further strengthened. The Board notes that the secretariat has already considered ways of reducing the volume of conference support work to smooth its flow, by encouraging the Parties to establish the scheduling of meetings further in advance and to settle on a schedule marked by two sessional periods per year. The secretariat is also seeking to identify host countries earlier, so that it has enough time to establish its requirements and to negotiate the host country agreement.

26. The Board noted that UNFCCC did not routinely use a checklist, or have a Manual, setting out the procedures for setting up, and organizing, a major conference. **The Board recommends that the procedures and operational requirements for servicing conferences should be incorporated into a Conference Support Manual, which should include a checklist of key procedures.**

Cost comparisons

27. Cost is one of the main factors to be taken into account in deciding where conference should be held in Bonn. After a review of the facilities available, the secretariat concluded that only three sites were large enough for its needs. Two of these required an additional plenary hall to be provided in the form of a marquee or similar construction; and extra conversion costs had

to be incurred at each of the three facilities to ensure that they met United Nations conference requirements.

28. In 1997 the secretariat held a session at each of these three facilities, partly because of the limited choice available when the dates of the Subsidiary Body meetings were finalized, and partly because the secretariat wanted practical experience of the different facilities on offer before committing itself to any one of them in the longer term. The capital and rental costs of each facility are set out below.

Capital and rental costs of conference facilities

Location	Meeting (1997)	Installation costs * US$	Rental costs * US$	Total costs * US$
Facility A	Fifth Session of Subsidiary Bodies	406,125	133,630	**539,755**
Facility B	Sixth Session of Subsidiary Bodies	286,191	201,448	**487,639**
Facility C	Seventh Session of Subsidiary Bodies	303,174	172,608	**475,782**
TOTAL		**995,490**	**507,686**	**1,503,176**

* translated from Deutsch Marks to US$ at DM1.8 to US$1.

29. The installation costs for facility B included a sum of around $72,384 to install permanent computer network wiring, which then became the owner's property. The UNFCCC's contract with facility B provides for this expenditure to be recovered over time in the form of a rent rebate: $5,568 for the first meeting (in July/August 1997) and $11,136 for each of the next six meetings, if any. Although such an arrangement was unusual, UNFCCC justified it to the United Nations Committee on Contracts in Geneva on the grounds that temporary wiring would otherwise have had to be installed, at a cost of some $55,680 for each meeting, and this would have had to be dismantled after the meeting; and new wiring would need to be installed at the next conference site. Under the terms agreed with facility B, UNFCCC would realize a return on its investment after the second and any subsequent meetings held at that location. Further installation costs would be incurred, however, were another venue to be chosen.

30. The United Nations accounting system does not readily provide cost information by project, and expenditure on particular meetings is spread across different account codes and programmes. The Board considers that there would be an advantage in aggregating the expenditure, however, especially if the secretariat could obtain from UNOG the costs of supplying interpretation, translation and documentation services for each UNFCCC meeting. Such cost information would provide material for a comparative financial analysis of the alternative conference facilities in Bonn; it would promote a disciplined approach to the requirements made of UNOG and also inform decisions as to the level and nature of the

conference support to be provided; and it would enable the cost of future events to be estimated with more precision. **The Board recommends that the secretariat should seek to establish the cost of each conference it organizes.**

31. Given the high direct costs of renting and fitting out conference facilities, it is important that the secretariat should be able to demonstrate that it has achieved value for money. The Board welcomes the secretariat's intention to carry out a comparative financial analysis of the different conference venues. The Board suggests that the appraisal should examine the range of different prices and discounts available and any capital expenditure required, and also consider the possibility of securing better terms by negotiating a contract with one venue for, say, the next two or three years. While the Board recognizes the uncertainties as to conference dates, it believes that the secretariat needs to plan further ahead in its selection of conference sites.

Scheduling and processing of documents

32. Agendas, papers and documents, most drafted by the secretariat but some originating from the Parties, are required for every meeting of the COP and its Subsidiary Bodies. In 1997 nearly 3,000 separate pages were produced before meetings and between 2,000 to 5,000 copies of each of these were distributed to delegates and other interested organizations. Many of these papers were also translated into the five other languages of the United Nations.

33. This level of paperwork puts a premium on careful planning and monitoring if documents are to be drafted by the due dates and dispatched to Geneva for translation and reproduction in good time for them to be available when needed by the secretariat and those attending the meetings. The system was under great strain in 1997, however, partly because of staff shortages and pressures of work and partly because of weaknesses in the arrangements for scheduling documents and monitoring their delivery. Many of UNOG's deadlines for receiving copy were not met and a considerable amount of pre-session documentation for the Subsidiary Body meeting in February/March 1997 had to be reproduced during the meeting. There were also quality control problems, for example, some of the papers submitted did not meet UNOG's specifications.

34. The Board noted that the secretariat had responded positively to these problems, seeking to achieve better coordination with UNOG and setting up a task force to generate ideas for improving the documentation process and keeping their implementation under review. Many changes have been made. An early planning meeting now identifies what papers will be necessary, what inputs may be needed from the Parties, and who will draft the document and be responsible for its timely delivery. A schedule is subsequently drawn up showing when these must be submitted to UNOG, and this is used by the Conference Support team and the editor to track the progress of each paper and to take quick action when required.

35. Action is also being taken to eliminate unnecessary documentation. The secretariat has been reviewing document lengths carefully through its internal planning process; and the need

for papers, their content, presentation and length are all carefully considered at meetings with the Executive Secretary. Revised editorial guidelines now stress the need for conciseness and clarity.

36. These and other measures have made a great difference: the growth in the volume of documentation has been checked and the new tracking system has improved the throughput and timely submission of papers. The pressure will need to be maintained, however, in view of the increasing demands now being made of UNFCCC as a result of worldwide interest in its activities. The Board urges the secretariat to continue to keep the volume of documentation under close review and to take appropriate action to contain any expansion.

Review and follow-up procedures

37. At the end of each Subsidiary Body meeting and COP, the secretariat issues questionnaires to all those attending, whether as delegates, observers or members of non-government organizations. The questions mainly address domestic matters, such as the suitability of the conference facilities, the usefulness of specified items of office equipment, the quality of the catering arrangements and the effectiveness of support services, including the information desks, hot-line and the library. A further set of questions focuses on the usefulness of the information provided during meetings and the means by which information was accessed.

38. The questionnaires are analysed and evaluated by the secretariat and the results compared with those for previous conferences to identify trends. Any areas of dissatisfaction are highlighted by the conference support team and recommendations made for effecting improvements.

39. It is clearly important that the secretariat should seek the views of those whom it serves. The Board notes, however, that the response rate to the questionnaires has tended to be low (between 12 and 16 per cent) and this must weaken the confidence that may be placed on the results. Furthermore, the questionnaire is narrow in scope and barely touches on substantive issues, such as the quality, relevance and timeliness of pre-session documentation. **The Board therefore recommends that the secretariat explore ways of increasing the response rate and consider how the questionnaire might be re-designed so as to provide an assessment of the secretariat's performance across the full range of its conference support work.**

40. The secretariat also carried out evaluations of COP and Subsidiary Body meetings, which examined both substantive and organizational matters and sought to determine what went well, what went wrong and why. The main points emerging from the COP 3 (Kyoto) evaluation were subsequently considered by the new Planning Forum, which identified several issues that would need to be addressed in the organization of COP 4 (Buenos Aires). These included the need for:

- better planning, already addressed to a large extent by the appointment of the Conference Support Task Force and the Planning Forum;
- increased flexibility in the deployment of staff;

- improved links between teams assigned to different aspects of the conference.

The Board welcomes this systematic approach to evaluation.

2. Cases of fraud and presumptive fraud

41. No cases were reported to the Board.

D. Acknowledgement

42. The Board of Auditors wishes to express its appreciation for the co-operation extended by the Executive Secretary and staff of UNFCCC and by the United Nations Secretariat.

V. K. Shunglu

Vijay Krishna Shunglu
Comptroller and Auditor General
of India

Osei Tutu Prempeh
Auditor-General of Ghana

John Bourn

Sir John Bourn
Comptroller and Auditor General
of the United Kingdom of Great Britain
and Northern Ireland

22 September 1998

Audit Opinion

We have audited the accompanying financial statements, numbered I to IV, schedules 1.1 to 1.3 and the supporting notes of the United Nations Framework Convention on Climate Change for the financial period ended 31 December 1997. The financial statements are the responsibility of the Executive Secretary. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Common Auditing Standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, and as considered by the auditor to be necessary in the circumstances, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Executive Secretary, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the audit opinion.

In our opinion, these financial statements present fairly, in all respects, the financial position as at 31 December 1997 and the results of operations and cash flows for the period then ended in accordance with UNFCCC's stated accounting policies set out in note 2 of the financial statements.

Further, in our opinion, the transactions of UNFCCC which we have tested as part of our audit, have in all significant respects been in accordance with the Financial Regulations and Legislative Authority.

In accordance with article XII of the Financial Regulations, we have also issued a long-form report on our audit of UNFCCC's financial statements.

V. K. Shunglu

Vijay Krishna SHUNGLU
Comptroller and Auditor General of India

Osei Tutu PREMPEH
Auditor-General of Ghana

John Bourn

Sir John BOURN
Comptroller and Auditor General
of the United Kingdom of Great Britain
and Northern Ireland

22 September 1998

UNITED NATIONS
NATIONS UNIES

FRAMEWORK CONVENTION ON CLIMATE CHANGE - Secretariat
CONVENTION - CADRE SUR LES CHANGEMENTS CLIMATIQUES - Secrétariat

Executive Secretary
Secrétaire exécutif

Date: 11 August 1998
Ref: AZB/cbc
Direct line: 815-1307/1306

CERTIFICATION OF THE FINANCIAL STATEMENTS

I certify that the appended financial statements of the United Nations Framework Convention on Climate Change, numbered I to IV, are fairly stated.

Michael Zammit Cutajar

V. ACCOUNTS FOR THE BIENNIUM 1996-1997 ENDED 31 DECEMBER 1997

Annex I

FRAMEWORK CONVENTION ON CLIMATE CHANGE

I-Statement of income and expenditure and changes in reserves and fund balances for the biennium 1996-1997 as at 31 December 1997 (expressed in US Dollars)

	TF FOR THE CORE ADMINISTRATIVE BUDGET OF THE UNFCCC	TF FOR FACILITATING PARTICIPATION OF STATES PARTIES IN THE UNFCCC PROCESS	TF FOR VOLUNTARY SUPPLEMENTARY FINANCING OF THE APPROVED ACTIVITIES UNDER UNFCCC	
	FC	FI	FR	TOTAL
INCOME				
Indicative Contributions	13,767,634	-	-	13,767,634 /1
Pledged Contributions	1,961,231	2,517,966	5,510,890	9,990,087 /1
Received under Inter-Organization arrangements	-	117,287	-	117,287
Interest income	223,307	34,601	86,242	344,150
Miscellaneous income	12,500	-	-	12,500
TOTAL INCOME	15,964,672	2,669,854	5,597,132	24,231,658
EXPENDITURE				
Staff and other personnel costs	8,352,047	-	1,509,892	9,861,939
Travel	565,949	3,314,564	265,043	4,145,556
Contractual services	121,351	-	41,234	162,585
Operating expenses	675,497 /2	164,066 /3	1,671,059 /4	2,510,622
Acquisition	636,095	-	37,094	673,189
Fellowships, grants and other	1,050,796	-	27,200	1,077,996
Total Direct expenditure	11,401,735	3,478,630	3,551,522	18,431,887
Programme support costs	1,479,584	430,893	434,210	2,344,687
TOTAL EXPENDITURE	12,881,319	3,909,523	3,985,732	20,776,574
Excess (shortfall) of income over expenditures	3,083,353	(1,239,669)	1,611,400	3,455,084
Prior period adjustments	1,452	-	-	1,452
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURES	3,084,805	(1,239,669)	1,611,400	3,456,536
Transfers (to) from reserves and other funds	971,880 /5	2,276,786 /6	483,384 /7	3,732,050
Refund to donors	-	-	-	-
Savings on prior period obligations	-	-	-	-
RESERVES AND FUND BALANCES: BEGINNING OF PERIOD	-	-	-	-
RESERVES AND FUND BALANCES: END OF PERIOD	4,056,685	1,037,117	2,094,784	7,188,586

Annex II

FRAMEWORK CONVENTION ON CLIMATE CHANGE

II-Statement of assets, liabilities, and reserves and fund balances
for the biennium 1996-1997 as at 31 December 1997
(expressed in US Dollars)

	TF FOR THE CORE ADMINISTRATIVE BUDGET OF THE UNFCCC	TF FOR FACILITATING PARTICIPATION OF STATES PARTIES IN THE UNFCCC PROCESS	TF FOR VOLUNTARY SUPPLEMENTARY FINANCING OF THE APPROVED ACTIVITIES UNDER UNFCCC	
	FC	FI	FR	TOTAL
ASSETS				
Cash and term deposits	3,080,268	1,332,550	2,111,671	6,524,489
Investments	-	-	-	-
Indicative contributions receivable	1,311,726	-	-	1,311,726
Inter-fund balances receivable	201,590	1,113,543	-	1,315,133
Other accounts receivable	974,354 /8	800	162,705	1,137,859
Operating funds provided to executing agencies	-	-	-	-
TOTAL ASSETS	5,567,938	2,446,893	2,274,376	10,289,207
LIABILITIES				
Inter-fund balances payable	-	-	38,507	38,507
Other accounts payable	259,306	279,576	18,667	557,549
Unliquidated obligations	1,206,726	1,130,200	122,418	2,459,344
Contributions/Payments received in advance	45,221	-	-	45,221
TOTAL LIABILITIES	1,511,253	1,4 9,776	179,592	3,100,621
RESERVES AND FUND BALANCES				
Operating reserves	-	94,244	297,105	391,349
Working Capital Reserve	528,248	-	-	528,248
Cumulative surplus (deficit)	3,528,437	942,873	1,797,679	6,268,989
TOTAL RESERVES AND FUND BALANCES	4,056,685	1,037,117	2,094,784	7,188,586
TOTAL LIABILITIES, RESERVES AND FUND BALANCES	5,567,938	2,446,893	2,274,376	10,289,207

/1 The contributions received are all in convertible currencies.

/2 Including loss on exchange of US$ 20,317.

/3 Including loss on exchange of US$ 164,066.

/4 Including loss on exchange of US$ 211,446.

/5 Representing funds transferred from UNNY to UNOG from fund GM.

/6 Representing MK funds transferred from UNNY for US$ 2,191,819 and US$ 84,967 received from fund FR.

/7 Representing transfer from ZH fund (UNCTAD) for US$ 568,351 less US$ 84,967 transferred to fund FI.

/8 Including US$ 281,165 representing salary advances to new staff members which will be cleared to expenditure in 1998.

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

Combined status of pledges unpaid as at 31 December 1997

(Expressed in US dollars)

Schedule 1.1

Countries/Trust Funds	Pledges receivable as at 01.01.1996	ADD: Pledges for 1996/1997 and adj. of prior pledges	ADD: Pledges for future years	LESS: Collections in 1996	LESS: Collections in 1997	Total Collections	LESS: Loss (gain) on exchange	Pledges receivable as at 31.12.1997
I. Trust Fund for the Core Administrative Budget of the UNFCCC (FC)								
Germany	-	1,935,442	-	967,700	967,742	1,935,442	-	-
Romania	-	20,480	-	-	20,480	20,480	-	-
Sub-total	-	1,955,922	-	967,700	988,222	1,955,922	-	-
Public Donations	-	5,309	-	1,531	3,778	5,309	-	-
Sub-total	-	5,309	-	1,531	3,778	5,309	-	-
Total	-	**1,961,231**	-	**969,231**	**992,000**	**1,961,231**	-	-
II. Trust Fund for facilitating participation of States Parties in the UNFCCC process (FI)								
Austria	-	25,000	-	25,000	-	25,000	-	-
Canada	-	35,826	-	-	35,826	35,826	-	-
Denmark	-	115,000	-	50,000	65,000	115,000	-	-
European Community	-	278,350	-	278,350	-	278,350	-	-
Germany	-	465,507	-	326,797	138,710	465,507	-	-
Greece	-	10,000	-	-	10,000	10,000	-	-
Ireland	-	43,596	-	-	43,596	43,596	-	-
Italy	-	163,226	-	-	163,226	163,226	-	-
Japan	-	405,555	-	301,776	103,779	405,555	-	-
Netherlands	-	171,065	-	92,891	78,174	171,065	-	-
New Zealand	-	23,710	-	-	23,710	23,710	-	-
Norway	-	44,763	-	44,763	-	44,763	-	-
St. Lucia	-	761	-	761	-	761	-	-
Sweden	-	115,000	-	40,000	75,000	115,000	-	-
Switzerland	-	84,317	-	84,317	-	84,317	-	-
United Kingdom	-	161,290	-	-	161,290	161,290	-	-
United States	-	375,000	-	-	375,000	375,000	-	-
Total	-	**2,517,966**	-	**1,244,655**	**1,273,311**	**2,517,966**	-	-

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

Combined status of pledges unpaid as at 31 December 1997

(Expressed in US dollars)

Schedule 1.1

Countries/Trust Funds	Pledges receivable as at 01.01.1996	ADD: Pledges for 1996/1997 and adj. of prior pledges	ADD: Pledges for future years	LESS: Collections in 1996	LESS: Collections in 1997	Total Collections	LESS: Loss (gain) on exchange	Pledges receivable as at 31.12.1997
III. Trust Fund for Voluntary Supplementary Financing of the approved activities under UNFCCC (FR)								
Canada	-	7,791	-	-	7,791	7,791	-	-
European Community	-	94,313	-	94,313	-	94,313	-	-
Germany	-	3,948,128	-	1,316,189	2,631,939	3,948,128	-	-
Ireland	-	10,300	-	-	10,300	10,300	-	-
Italy	-	9,000	-	-	9,000	9,000	-	-
Japan	-	232,821	-	4,500	228,321	232,821	-	-
New Zealand	-	21,166	-	21,166	-	21,166	-	-
Norway	-	23,314	-	23,227	-	23,227	87	-
Sweden	-	33,940	-	16,381	17,559	33,940	-	-
Switzerland	-	185,517	-	185,517	-	185,517	-	-
United States	-	944,600	-	-	944,600	944,600	-	-
Total	**-**	**5,510,890**	**-**	**1,661,293**	**3,849,510**	**5,510,803**	**87**	**-**
GRAND TOTAL	**-**	**9,990,087**	**-**	**3,875,179**	**6,114,821**	**9,990,000**	**87**	**-**

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE
Combined status of assessed contributions unpaid as at 31 December 1997

(Expressed in US Dollars)

Schedule 1.2

Member States	Assessed Contributions receivable as at 01.01.1996	Add: Assessed contributions for 1996/1997 and adjustment of prior periods	Add: Assessed contributions for future years	Less: Collections in 1996	Less: Collections in 1997	Total Collections	Less: Loss (gain) on exchange	Assessed Contributions receivable as at 31.12.1997
Trust Fund for the Core Administrative Budget of the UNFCCC (FC)								
Albania	-	1,365	-	726	-	726	-	639
Algeria	-	21,846	-	-	-	-	-	21,846
Antigua and Barbuda	-	1,365	-	726	639	1,365	-	-
Argentina	-	65,401	-	35,621	-	35,621	-	29,780
Armenia	-	7,441	-	-	7,441	7,441	-	-
Australia	-	202,416	-	202,416	-	202,416	-	-
Austria	-	118,650	-	64,192	54,458	118,650	-	-
Azerbaijan	-	16,384	-	-	-	-	-	16,384
Bahamas	-	2,731	-	-	-	-	-	2,731
Bahrain	-	2,731	-	1,484	1,247	2,731	-	-
Bangladesh	-	1,365	-	-	-	-	-	1,365
Barbados	-	1,365	-	-	-	-	-	1,365
Belgium	-	116,047	-	-	48,857	48,857	-	67,190
Belize	-	1,365	-	-	1,365	1,365	-	-
Benin	-	1,365	-	-	615	615	-	750
Bhutan	-	1,365	-	-	1,365	1,365	-	-
Bolivia	-	1,365	-	-	-	-	-	1,365
Botswana	-	1,365	-	-	1,365	1,365	-	-
Brazil	-	222,146	-	-	222,146	222,146	-	-
Bulgaria	-	10,923	-	-	4,917	4,917	-	6,006
Burkina Faso	-	1,365	-	-	1,365	1,365	-	-
Burundi	-	563	-	-	-	-	-	563
Cambodia	-	1,211	-	-	-	-	-	1,211
Cameroon	-	1,365	-	-	-	-	-	1,365

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGES

Combined status of assessed contributions unpaid as at 31 December 1997

(Expressed in US Dollars)

Schedule 1.2

Member States	Assessed Contributions receivable as at 01.01.1996	Add: Assessed contributions for 1996/1997 and adjustment of prior periods	Add: Assessed contributions for future years	Less: Collections in 1996	Less: Collections in 1997	Total Collections	Less: Loss (gain) on exchange	Assessed Contributions receivable as at 31.12.1997
Trust Fund for the Core Administrative Budget of the UNFCCC (FC)								
Canada	-	425,312	-	230,238	195,074	425,312	-	-
Cape Verde	-	1,365	-	-	-	-	-	1,365
Central African Republic	-	1,365	-	-	-	-	-	1,365
Chad	-	1,365	-	-	-	-	-	1,365
Chile	-	10,923	-	-	10,923	10,923	-	-
China	-	100,900	-	100,886	14	100,900	-	-
Colombia	-	13,654	1,274	7,421	7,507	14,928	-	-
Comoros	-	1,365	-	-	-	-	-	1,365
Congo	-	728	652	-	1,380	1,380	-	-
Congo, Democratic Rep.of	-	1,365	-	-	1,365	1,365	-	-
Cook Islands	-	1,365	-	-	-	-	-	1,365
Costa Rica	-	1,365	-	-	-	-	-	1,365
Cote d'Ivoire	-	1,365	-	-	-	-	-	1,365
Croatia	-	9,061	-	-	2,305	2,305	-	6,756
Cuba	-	6,826	-	4,023	2,803	6,826	-	-
Czech Republic	-	36,114	-	19,295	16,819	36,114	-	-
Denmark	-	98,170	-	53,246	44,924	98,170	-	-
Djibouti	-	1,365	-	-	1,365	1,365	-	-
Dominica	-	1,365	-	-	-	-	-	1,365
Ecuador	-	2,730	-	-	-	-	-	2,730
Egypt	-	9,558	-	5,195	4,363	9,558	-	-
El Salvador	-	1,211	-	-	-	-	-	1,211
Eritrea	-	1,365	1,149	-	2,514	2,514	-	-
Estonia	-	5,462	-	3,154	2,308	5,462	-	-
Ethiopia	-	1,365	-	-	-	-	-	1,365

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE
Combined status of assessed contributions unpaid as at 31 December 1997

(Expressed in US Dollars)

Schedule 1.2

Member States	Assessed Contributions receivable as at 01.01.1996	Add: Assessed contributions for 1996/1997 and adjustment of prior periods	Add: Assessed contributions for future years	Less: Collections in 1996	Less: Collections in 1997	Total Collections	Less: Loss (gain) on exchange	Assessed Contributions receivable as at 31.12.1997
Trust Fund for the Core Administrative Budget of the UNFCCC (FC)								
European Community	-	341,341	-	181,488	159,853	341,341	-	-
Fiji	-	1,365	-	-	1,365	1,365	-	-
Finland	-	84,516	-	45,825	38,691	84,516	-	-
France	-	878,546	-	475,505	403,041	878,546	-	-
Gambia	-	1,365	-	-	-	-	-	1,365
Georgia	-	16,384	-	-	8,720	8,720	-	7,664
Germany	-	1,239,823	-	671,050	568,773	1,239,823	-	-
Ghana	-	1,365	1,000	-	1,000	1,000	-	1,365
Greece	-	52,498	-	-	52,498	52,498	-	-
Grenada	-	1,365	-	-	-	-	-	1,365
Guatemala	-	2,423	-	-	2,423	2,423	-	-
Guinea	-	1,365	-	-	-	-	-	1,365
Guinea-Bissau	-	1,313	-	-	-	-	-	1,313
Guyana	-	1,365	-	-	-	-	-	1,365
Haiti	-	758	-	-	758	758	-	-
Honduras	-	1,313	-	-	-	-	-	1,313
Hungary	-	19,115	-	10,389	8,726	19,115	-	-
Iceland	-	4,096	-	2,226	1,870	4,096	-	-
India	-	42,940	-	-	19,669	19,669	-	23,271
Indonesia	-	19,115	-	-	19,115	19,115	-	-
Iran, Islamic Republic of	-	39,244	-	-	-	-	-	39,244
Ireland	-	28,672	-	15,584	13,088	28,672	-	-
Israel	-	23,513	-	-	23,513	23,513	-	-
Italy	-	712,245	-	-	331,390	331,390	-	380,855
Jamaica	-	1,365	-	-	1,365	1,365	-	-

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE
Combined status of assessed contributions unpaid as at 31 December 1997

(Expressed in US Dollars)

Schedule 1.2

Member States	Assessed Contributions receivable as at 01.01.1996	Add: Assessed contributions for 1996/1997 and adjustment of prior periods	Add: Assessed contributions for future years	Less: Collections in 1996	Less: Collections in 1997	Total Collections	Less: Loss (gain) on exchange	Assessed Contributions receivable as at 31.12.1997
Trust Fund for the Core Administrative Budget of the UNFCCC (FC)								
Japan	-	2,116,253	-	1,145,441	970,812	2,116,253	-	-
Jordan	-	1,365	-	726	639	1,365	-	-
Kazakhstan	-	27,307	-	-	-	-	-	27,307
Kenya	-	1,365	-	-	1,365	1,365	-	-
Kiribati	-	1,365	-	711	654	1,365	-	-
Korea, Democratic People's Republic of	-	6,826	-	-	-	-	-	6,826
Korea, Republic of	-	112,438	-	51,632	60,806	112,438	-	-
Kuwait	-	25,942	-	-	25,942	25,942	-	-
Lao People's Democratic Replubic	-	1,365	-	726	432	1,158	-	207
Latvia	-	10,923	9,156	6,122	13,957	20,079	-	-
Lebanon	-	1,365	-	-	-	-	-	1,365
Lesotho	-	1,365	798	-	2,163	2,163	-	-
Liechtenstein	-	1,365	-	726	639	1,365	-	-
Lithuania	-	11,538	-	-	11,538	11,538	-	-
Luxembourg	-	9,558	-	-	9,558	9,558	-	-
Malawi	-	1,365	-	-	-	-	-	1,365
Malaysia	-	19,115	-	-	19,115	19,115	-	-
Maldives	-	1,365	-	726	639	1,365	-	-
Mali	-	1,365	-	-	-	-	-	1,365
Malta	-	1,365	-	-	942	942	-	423
Marshall Islands	-	1,365	-	-	1,365	1,365	-	-
Mauritania	-	1,365	-	-	-	-	-	1,365
Mauritius	-	1,365	-	1,365	-	1,365	-	-
Mexico	-	108,342	-	-	22,524	22,524	-	85,818
Micronesia	-	1,365	-	1,365	-	1,365	-	-

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGES
Combined status of assessed contributions unpaid as at 31 December 1997

(Expressed in US Dollars)

Schedule 1.2

Member States	Assessed Contributions receivable as at 01.01.1996	Add: Assessed contributions for 1996/1997 and adjustment of prior periods	Add: Assessed contributions for future years	Less: Collections in 1996	Less: Collections in 1997	Total Collections	Less: Loss (gain) on exchange	Assessed Contributions receivable as at 31.12.1997
Trust Fund for the Core Administrative Budget of the UNFCCC (FC)								
Moldova Republic of	-	11,538	-	-	-	-	-	11,538
Monaco	-	1,365	-	726	-	726	-	639
Mongolia	-	1,365	-	-	1,365	1,365	-	-
Morocco	-	3,635	1,222	1,616	3,241	4,857	-	-
Mozambique	-	1,365	-	-	-	-	-	1,365
Myanmar	-	1,365	-	726	639	1,365	-	-
Namibia	-	1,365	-	726	639	1,365	-	-
Nauru	-	1,365	-	-	1,365	1,365	-	-
Nepal	-	1,365	-	-	-	-	-	1,365
Netherlands	-	217,435	-	117,089	100,346	217,435	-	-
New Zealand	-	33,384	26,636	33,398	26,636	60,034	(14)	-
Nicaragua	-	1,313	-	665	-	665	-	648
Niger	-	1,365	-	-	-	-	-	1,365
Nigeria	-	15,634	-	-	15,634	15,634	-	-
Niue	-	1,109	-	423	686	1,109	-	-
Norway	-	76,324	-	41,543	34,781	76,324	-	-
Oman	-	5,462	-	-	5,462	5,462	-	-
Pakistan	-	8,192	-	4,458	-	4,458	-	3,734
Panama	-	1,365	-	-	1,365	1,365	-	-
Papua New Guinea	-	1,365	-	-	1,365	1,365	-	-
Paraguay	-	1,365	-	-	-	-	-	1,365
Peru	-	8,192	-	-	3,688	3,688	-	4,504
Philippines	-	8,192	-	-	-	-	-	8,192
Poland	-	46,286	-	25,046	21,240	46,286	-	-
Portugal	-	37,480	-	-	37,480	37,480	-	-

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGES
Combined status of assessed contributions unpaid as at 31 December 1997

(Expressed in US Dollars)

Schedule 1.2

Member States	Assessed Contributions receivable as at 01.01.1996	Add: Assessed contributions for 1996/1997 and adjustment of prior periods	Add: Assessed contributions for future years	Less: Collections in 1996	Less: Collections in 1997	Total Collections	Less: Loss (gain) on exchange	Assessed Contributions receivable as at 31.12.1997
Trust Fund for the Core Administrative Budget of the UNFCCC (FC)								
Qatar	-	4,027	-	-	4,027	4,027	-	-
Romania	-	20,480	-	-	-	-	-	20,480
Russian Federation	-	609,979	-	200,000	131,000	331,000	-	278,979
Saint Kitts and Navis	-	1,365	-	726	639	1,365	-	-
Saint Lucia	-	1,365	-	726	-	726	-	639
Saint Vincent and the Grenadines	-	500	-	-	-	-	-	500
Samoa	-	1,365	-	-	1,365	1,365	-	-
San Marino	-	1,365	-	-	-	-	-	1,365
Saudi Arabia	-	98,785	-	-	-	-	-	98,785
Senegal	-	1,365	-	-	-	-	-	1,365
Seychelles	-	1,365	-	-	1,365	1,365	-	-
Sierra Leone	-	1,365	-	-	-	-	-	1,365
Singapore	-	3,503	-	-	-	-	-	3,503
Slovakia	-	10,923	-	10,923	-	10,923	-	-
Slovenia	-	8,841	-	-	3,567	3,567	-	5,274
Solomon Islands	-	1,365	-	-	-	-	-	1,365
South Africa	-	2,255	-	-	-	-	-	2,255
Spain	-	324,411	-	-	324,411	324,411	-	-
Sri Lanka	-	1,365	-	-	1,365	1,365	-	-
Sudan	-	1,365	-	-	-	-	-	1,365
Swaziland	-	743	-	-	-	-	-	743
Sweden	-	167,667	-	91,094	76,573	167,667	-	-
Switzerland	-	166,302	-	89,795	76,507	166,302	-	-
Synan Arab Republic	-	5,802	-	-	5,802	5,802	-	-
Thailand	-	17,750	-	-	17,750	17,750	-	-

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

Combined status of assessed contributions unpaid as at 31 December 1997

(Expressed in US Dollars)

Schedule 1.2

Member States	Assessed Contributions receivable as at 01.01.1996	Add: Assessed contributions for 1996/1997 and adjustment of prior periods	Add: Assessed contributions for future years	Less: Collections in 1996	Less: Collections in 1997	Total Collections	Less: Loss (gain) on exchange	Assessed Contributions receivable as at 31.12.1997
Trust Fund for the Core Administrative Budget of the UNFCCC (FC)								
Togo	-	1,365	-	-	-	-	-	1,365
Trinidad and Tobago	-	4,096	-	-	4,096	4,096	-	-
Tunisia	-	4,096	3,334	2,226	5,204	7,430	-	-
Turkmenistan	-	4,096	-	-	4,096	4,096	-	-
Tuvalu	-	1,365	-	-	-	-	-	1,365
Uganda	-	1,365	-	-	-	-	-	1,365
Ukraine	-	35,658	-	-	-	-	-	35,658
United Arab Emirates	-	23,022	-	-	-	-	-	23,022
United Kingdom	-	728,629	-	394,430	334,199	728,629	-	-
United Republic of Tanzania	-	1,006	-	-	-	-	-	1,006
United States of America	-	3,413,400	-	1,650,000	1,763,400	3,413,400	-	-
Uruguay	-	5,462	-	-	-	-	-	5,462
Uzbekistan	-	19,115	-	10,204	8,911	19,115	-	-
Vanuatu	-	1,365	-	-	-	-	-	1,365
Venezuela	-	46,286	-	-	25,046	25,046	-	21,240
Viet Nam	-	1,365	-	-	-	-	-	1,365
Yemen	-	1,109	-	-	-	-	-	1,109
Yugoslavia	-	634	-	-	-	-	-	634
Zambia	-	1,365	-	-	-	-	-	1,365
Zimbabwe	-	1,365	-	726	-	726	-	[illegible]
Total	**-**	**13,767,634**	**45,221**	**6,017,496**	**6,483,647**	**12,501,143**	**(14)**	**1,311,726**

Schedule 1.3

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE
Details of Subventions
for the biennium 1996/1997 as at 31 December 1997
(Expressed in US dollars)

Fund Code	Donor		Amount
FI	EEC		117,287
		Sub-total	**117,287**

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

III. Statement of cash flows for 1996/1997 as at 31 December 1997

(Expressed in United States dollars)

	FC	FI	FR
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net excess (shortfall) of income over expenditures (Statement I)	3,083,353	(1,239,669)	1,611,400
(Increase) decrease in contributions receivable	(1,311,726)	-	-
(Increase) decrease in other accounts receivable	(974,354)	(800)	(162,705)
(Increase) decrease in other assets	-	-	-
Increase (decrease) in accounts payable	259,306	279,576	18,667
Increase (decrease) in unliquidated obligations	1,206,726	1,130,200	122,418
Increase (decrease) in other liabilities	45,221	-	-
Less: Interest income received	(223,307)	(34,601)	(86,242)
NET CASH FROM OPERATING ACTIVITIES	2,085,219	134,706	1,503,538
CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES:			
(Increase) decrease in inter-fund balances receivable	(201,590)	(1,113,543)	-
Increase (decrease) in inter-fund balances payable	-	-	38,507
Plus: Interest income received	223,307	34,601	86,242
NET CASH FROM INVESTING AND FINANCING ACTIVITIES	21,717	(1,078,942)	124,749
CASH FLOWS FROM OTHER SOURCES:			
Savings on prior periods' obligations	-	-	-
Other adjustments to fund balance	973,332	2,276,786	483,384
NET CASH FROM OTHER SOURCES	973,332	2,276,786	483,384
NET INCREASE (DECREASE) IN CASH AND TERM DEPOSITS	3,080,268	1,332,550	2,111,671
CASH AND TERM DEPOSITS AT BEGINNING OF PERIOD	-	-	-
CASH AND TERM DEPOSITS AT END OF PERIOD	3,080,268	1,332,550	2,111,671

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

Statement IV. The Core Administrative Budget: Status of expenditures against budget

for the biennium 1996-1997 ended 31 December 1997

(Expressed in US dollars)

Budget Classification	Approved Unobligated Budget	Expenditure			Balance
		Disbursements	Unliquidated Obligations	Total	
Policy-making organs	1,322,900	840,101	366,616	1,206,717	116,183
Executive direction and management	1,243,800	1,194,665	19,629	1,214,294	29,506
Communication, assessment and review	2,899,000	2,706,149	75,637	2,781,786	117,214
Financial and technical cooperation	1,091,100	1,029,261	32,181	1,061,442	29,658
Intergovernmental and information support	4,024,900	3,305,426	685,157	3,990,583	34,317
Implementation and planning	1,233,400	1,099,090	27,506	1,126,596	106,804
Total	**11,815,100**	**10,174,692**	**1,206,726**	**11,381,418**	**433,682**

The accompanying notes are an integral part of the financial statements.

VI. NOTES TO THE FINANCIAL STATEMENTS

Note 1. The Climate Change Secretariat and its activities

The secretariat of the United Nations Framework Convention on Climate Change was established on 1 January 1996 with the following purposes:

a) To make arrangements for session of the Conference of the Parties (COP) and its subsidiary bodies established under the Convention and to provide them with services as required;

b) To compile and transmit reports submitted to it;

c) To facilitate assistance to the Parties, particularly developing country Parties, on request, in the compilation and communication of information required in accordance with the provisions of the Convention;

d) To prepare reports on its activities and present them to the Conference of the Parties;

e) To ensure the necessary coordination with the secretariats of other relevant international bodies;

f) To enter, under the overall guidance of the Conference of the Parties, into such administrative and contractual arrangements as may be required for the effective discharge of its functions; and

g) To perform the other secretariat functions specified in the Convention and in any of its protocols and such other functions as may be determined by the Conference of the Parties.

Note 2. Summary of significant accounting policies of UNFCCC

1. The entire budget of the secretariat is funded by the State Parties to the Convention. During the 1996-1997 biennium, the secretariat administered the following three trust funds:

- The trust fund of the core administrative budget
- The trust fund for facilitating participation of States Parties in the UNFCCC process
- The trust fund for voluntary supplementary financing of the approved activities under UNFCCC

2. All the trust funds are established by the Secretary-General of the United Nations at the request of the Executive Secretary upon the approval of the Conference of the Parties.

3. Under the financial procedures adopted by the Conference of the Parties, the Executive Secretary prepares the administrative core budget for the following biennium and submits it to the COP for its consideration and approval. The approved budget constitutes authority to the Executive Secretary to incur obligations and make payments for the purposes for which the appropriations were approved.

4. For the biennium 1996-1997, the COP approved a core budget of US$17.2 million, out of which the equivalent of DM 3 million was paid by the host Government. The remaining amount is raised by all Parties, which are invited to make contributions based on the United Nations scale of assessment. Although the financial statement refers to these contributions as "assessed" to be consistent with the standard terms used in the United Nations system, in the Financial Procedures of UNFCCC they are referred as indicative contributions.

5. The Parties are also invited to make voluntary contributions to the trust funds for Participation and Supplementary Activities to meet the requirements estimated at $4.8 million and $2.8 million, respectively for the same biennium. The COP does not approve a budget limit for these trust funds.

6. The Executive Secretary issues allotments by objects of expenditure for activities under the Convention's budget within the available resources.

7. According to the arrangements established by the Under-Secretary General for Administration and Management of the United Nations, the financial and accounting services of the secretariat are provided by UNOG applying the Financial Regulations and Rules of the United Nations, as adopted by the General Assembly, the rules formulated by the Secretary-General for Administration and Management or the Controller. They also take fully into account the common accounting standards for the United Nations system, as adopted by the Administrative Committee on Co-ordination (ACC). The General Assembly has taken note of these standards in its resolution 48/216 C of 23 December 1993. The United Nations follows the International Accounting Standard 1 on the disclosure of accounting policies, as modified and adopted by the Consultative Committee on Administrative Questions at its fifty-fourth session, as shown below:

(i) Going concern, consistency, and accrual are fundamental accounting assumptions. Where fundamental accounting assumptions are followed in financial statements, disclosure of such assumptions is not required. If a fundamental accounting assumption is not followed, that fact should be disclosed together with the reasons;

(ii) Prudence, substance over form, and materiality should govern the selection and application of accounting policies;

(iii) Financial statements should include clear and concise disclosure of all significant accounting policies which have been used;

(iv) The disclosure of the significant accounting policies used should be an integral part of the financial statements. The policies should normally be disclosed in one place;

(v) Financial statements should show corresponding figures for the preceding period;*

(vi) A change in an accounting policy that has a material effect in the current period or may have a material effect in subsequent periods should be disclosed together with the reasons. The effect of the change should, if material, be disclosed and quantified.*

8. Fund accounting. The UNFCCC's accounts are maintained on a "fund accounting" basis. Separate funds for general or special purposes may be established by the General Assembly or the Executive Director. Each fund is maintained as a distinct financial and accounting entity, with a separate self-balancing double-entry group of accounts. Separate financial statements are prepared for each fund.

9. The financial period of UNFCCC comprises of a biennium.

10. Pledged income is recognized when paid, and indicative contributions when due.

11. Translation of currencies. The accounts of the UNFCCC are presented in United States dollars. Accounts maintained in other currencies are translated into United States dollars at the time of the transaction at rates of exchange established by the Controller. In respect of such currencies, the financial statements prepared at such intervals as may be prescribed by the Controller under delegation of authority from the Under-Secretary-General for Administration and Management, shall reflect the cash, investments, unpaid pledges and current accounts receivable and payable in currencies other than United States dollars, translated at the applicable United Nations rates of exchange in effect as at the date of the statements. In the event that the application of actual exchange rates at the date of the statements would provide a valuation significantly different from the application of the United Nations rates of exchange for the last month of the financial period, a footnote will be presented quantifying the difference.

12. The UNFCCC's financial statements are prepared on the historical cost basis of accounting and have not been adjusted to reflect the effects of changing prices for goods and services.

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* *This is not relevant to the 1996-1997 accounts of UNFCCC as this is the first set of accounts.*

13. Cash and investments. Funds on deposit in interest-bearing bank accounts, time deposits and call accounts are shown in the statements of assets and liabilities as cash.

14. Fixed assets. Maintenance and repairs are charged against the appropriate budgetary accounts. Furniture, equipment, other non-expendables and leasehold improvements are not included in the assets of the UNFCCC. Acquisitions are charged against budgetary accounts in the year of purchase.

15. The expenditures do not include possible costs to cover contingencies under Appendix D to the United Nations staff rules, for personnel financed under resources obtained from contributions. The term "expenditure" designates total obligations incurred whether liquidated or unliquidated.

16. Miscellaneous income:

(i) The net income realized from the revenue-producing activities is reported as miscellaneous income;

(ii) Refunds of expenditures charges to the prior financial periods are credited to miscellaneous income;

(iii) Moneys accepted in respect of which no purpose is specified have been treated as miscellaneous income;

(iv) On the closing of the accounts at the end of each financial period, if the balance of the exchange accounts reflects a net loss on exchange, it is charged to the budgetary account. If there is a net gain, this is credited to miscellaneous income;

(v) The proceeds from the sale of surplus property are credited to the miscellaneous income of the respective funds.

17. The trust fund statements reflect the "clean surplus theory" by processing adjustments through the current income and expenditure accounts. Material adjustments for prior periods are, however, shown in the financial statements below the results of the current period so as not to distort them.

18. Income tax refund policy. The UNFCCC salaries are charged to the budget on a net basis during the year in which the services have been rendered. Income tax refunds are charged to the year in which they are made to the staff member.

19. Unliquidated obligations for the current biennium in respect of UNFCCC remain valid for 12 months following the end of the biennium to which they relate.

20. The accounts receivable in statement II of the financial statement included $281,165 representing salary advances to new staff member which were cleared to expenditure in 1988 when the advances were recorded upon payment of actual salaries.

21. All contributions are deposited with the United Nations Office at Geneva.

22. The UNFCCC operates an imprest account in Deutsche Marks to cover its expenditures in Bonn, and submits its report to UNOG on a monthly basis.

23. On a monthly basis, UNOG provides the Executive Secretary with information on the status of allotments, trial balance and unliquidated obligations. The final accounts are submitted to the Executive Secretary for certification and submission to the Board of External Auditors and reporting to the Conference of the Parties.

24. The United Nations retains 13% of the actual expenditures of all the established trust funds for programme support costs. Under the present arrangement, the programme support funds are used, in part, for financing the administrative unit of the secretariat.

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